STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

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Frequently Asked Questions

Property Tax Deduction
Auditors' Association
2014 Fall Conference

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DEDUCTION QUESTIONS

1. Are we to handle same-sex homesteads just like husband/wife homesteads?

Yes, the homestead deduction statute simply speaks in terms of "spouses."

2. If a renter/vet gets an affidavit from our office, do we still give them the voucher?

If a vet does not own property that qualifies for a disabled vet deduction, he can request an affidavit to that effect from the auditor. In this situation, the auditor would **not** provide a voucher.

3. If a person has been in a nursing home for several years and will not be returning to their property, should the homestead deduction be pulled?

If the taxpayer no longer has an intention to return to the homestead property after his or her absence, then the property would no longer qualify for the homestead deduction starting with the applicable assessment date. For instance, if the person determined on February 28 that he would not be returning, then the deduction would be pulled for the following March 1 assessment date. If the determination was made on April 1, then the deduction would be pulled for the following March 1 assessment date.

4. So are two ID numbers required or only at least the last five digits of the Social Security Number? If someone has only a Social Security Number but no other ID, is this sufficient for the homestead deduction?

The homestead deduction application and sales disclosure form capture the last five digits of both the applicant's Social Security and driver's license numbers. These forms are valid, but technically under statute, only the last five digits of the Social Security Number are required. If the person does not have a Social Security Number, then the last five digits of a valid driver's license or State ID can be used.

5. If a disabled vet has purchased a new home that qualifies for the totally disabled vet deduction, but he still hasn't sold his old home and both properties push him over the $143,160 threshold, does he lose the deduction until he sells the old home? Also, can the surviving spouse receive the deduction if she remarries?

As a hypothetical, let's say the vet buys the new property in February, 2014. If the deduction was validly in place on the old property on the preceding assessment date (March 1, 2013), it would stay in place for '13 Pay '14. If the old property sells by the end of the year, the vet could apply for and receive the deduction on the new property for '14 Pay '15. If the old property does not sell by the end of 2014, then the vet would not be eligible for the deduction on the new property for '14 Pay '15. If the vet bought the new property in April, 2014, if the deduction was validly in place on the old property on the preceding assessment date (March 1, 2014), it would stay in place for '14 Pay '15. Here, even if the old property sold by the end of 2014, the vet would not be able to obtain the deduction on the new property for '14 Pay '15 since he's already receiving the deduction on the old property for that tax cycle. As for the second question, yes, the surviving spouse could claim the disabled vet deduction even if she remarries.

6. When will the heritage barn deduction application form be available?

Late 2014. The deduction isn't available until '15 Pay '16, so no one should be applying until after the beginning of 2015.

7. If a parcel is receiving a 40% exemption, can the owner obtain a mortgage deduction on the non-exempt part?

Yes, if the owner and non-exempt part otherwise qualify.

8. If a person owns a personal property mobile home and the land it sits on, how is the homestead deduction calculated? Our software handles personal property and real property separately.

Because the homestead deduction statute does not distinguish between real and personal property in terms of the amount of the deduction or how it is calculated, where a person owns a personal property mobile home and the land it sits on, the two properties have to be viewed as one entity for purposes of calculating and applying the deduction. Thus, a manual adjustment may be needed if a vendor's software does not account for this. Keep in mind that state law limits the amount by which deductions (**excluding** the supplemental homestead deduction) may reduce the assessed value of a mobile home to 50%. If the taxpayer also owns the land, while the deductions would not wipe out the assessed value of the mobile home, they could reduce or eliminate the assessed value of the land. If the taxpayer does not own the land and owns only the mobile home, then the taxpayer may not experience the full homestead deduction that is normally potentially available (the homestead deduction is the lesser of $45,000 or 60% of the gross assessed value of the property, but state law limits the reduction of a mobile home's assessed value to 50%, not including the supplemental homestead deduction).

9. Is it correct that if a property has a geothermal deduction, the property owners cannot file for the over 65 deduction?

Yes, by operation of state law.

10. Any recommendation for self-described sovereign citizens who want to file a homestead deduction? How do you handle this type of request?

Any applicant for a homestead deduction must provide statutorily-required identification. If a person lacks or refuses to use or provide the required identification, he would be ineligible for the deduction. The homestead deduction statute requires an applicant to be a resident of Indiana, but this does not necessarily mean the person will be a citizen of the United States. If such a person does not have a Social Security Number, he or she can use the last five digits of his driver's license or state ID. If he doesn't have either of those numbers, he can provide the last five digits of a control number issued by the U.S. federal government.

11. Can an individual have a disability deduction and a disabled vet deduction?

Yes.

12. Dad and mom purchase a home and put it in the name of the "333 N. Main St. Land Trust." They then come to our office to file for a homestead deduction for their 29 year-old son who lives there. There is no life estate clause on the deed, so we ask to see a copy of the trust to show that son has a beneficial interest in the trust. But there is no trust. That is the title of the property only. Mom and dad said that they are the "true" owners. But they have allowed the son to live there. They are residents of Florida. Is the son eligible for the homestead deduction?

The son would have to have an ownership interest in the property, either by having his name on the deed, being a buyer of the property under recorded contract, or by having a beneficial interest in the property. If such is not the case, then he is not eligible for the homestead deduction on this property. Even if he qualified, he and not his parents would have to apply for the deduction.

13. Jane Doe buys a house and files a homestead deduction for '13 Pay '14. At the time of filing she discloses she is married. We explain as a married couple in the state of Indiana, they are allowed one homestead even though his name is not on the property. We will need husband's name/last five digits of his Social Security Number/last five digits of his driver's license number to report to the homestead database. The homestead was marked under "review" pending us getting the requested information. Jane Doe reveals her husband is not an American citizen and does not have any of the information required and will not be getting it (he is here on some type of visa). Do we remove the homestead and if so, when and what type of notification is required?

If the husband can provide the last five digits of a control number issued by the U.S. federal government, this will suffice if he has no Social Security Number or driver's license/state ID number. If he also does not have a federal control number, then he would have no identification numbers to provide in the application. Consequently, the application form could not be validly completed and the couple would not be eligible for the homestead deduction. Please see IC 6-1.1-36-17 for more information about the ineligible homestead process.

14. It has recently been brought to the attention of the auditor's office since the tax caps have been implemented that filing a geothermal deduction can in some cases become a liability, causing property taxes to increase rather than decrease. What if anything does the state plan to do to change this?

The geothermal deduction itself does not create a penalty or liability. The deduction equals the difference in assessed value of the property with the device and the assessed value of the property without the device. However, because the device may increase the assessed value of the property, the property's tax cap can increase accordingly (in other words, the 1% cap on the property before the device was installed might have been $1,000, but with the device installed the cap is now $1,200). Thus, the deduction has some value, but it does not offset the increase to the cap. This is an issue that would have to be addressed legislatively. Legislation was proposed in 2014 that would have impacted this, but it did not ultimately become law.

15. If a mobile home sits on ground that is not owned by the mobile home owner, then it is assessed as personal property. If the mobile home owner also owns the land, the mobile home should be assessed as real estate.

This is not necessarily true. The mobile home would only be assessed as real property if the mobile home owner successfully converted the home into real property, meaning it has an affidavit of transfer to real estate recorded by the county recorder under IC 9-17-6-15.5 (or has a certificate of title issued by the bureau of motor vehicles under IC 9-17-6) and is attached to a permanent foundation. Whether a mobile home is real or personal property does not hinge exclusively on whether the mobile home owner also owns the land on which the mobile home sits.

16. If a person owns two or more homes with homestead on property #1, but then they move to property #2 and file a homestead on it, can they have homesteads on both properties (as with same type of scenario with a taxpayer selling one property and moving to another)? Neither property #1 or #2 being sold.

Yes, if a person owns two homes in Indiana, with property #1 receiving the homestead deduction, and the person moves to home #2 after March 1 and begins using home #2 as his principal place of residence later that year, he could apply for and receive the homestead deduction on home #2 for that same assessment date. This is true even if home #1 is not being sold.

MISCELLANEOUS QUESTIONS

1. When doing TIF neutralization, residential TIF Parcel Base was set up to match NAV so that parcel doesn't capture increment. Property did not have homestead deductions at that time. Now they are being applied. Should base be set down to match lowered NAV or leave base and take as a negative capture?

Indiana Code 36-7-14-39 does not provide for downward adjustments of the base assessed value for residential parcels. As such, the base assessed value should not be modified and the allocation area would experience negative increment due to this property. The Department released a memo on October 18, 2013 that further explains this situation: http://www.in.gov/dlgf/files/pdf/131018_-_Vincent_Memo_-_Calculation_of_Base_Assessed_Value_for_Tax_Increment_Financing.pdf.

2. Is abatement ad information uploaded to the Department through Gateway by December 31?

The abatement ad information has been required to be submitted to the Department for several years. The Department intends to provide an upload option on Gateway in order to allow the counties to meet this requirement for the December 31, 2014 deadline.

3. When a unit requests a certificate of no objection, how do we know how many times they are supposed to advertise and how many newspapers they are required to advertise in?

The general statutory publication requirement is that a unit is to publish notice in two newspapers published within the unit. If there is only one paper published in the unit, then publication in that one paper is sufficient. If there are no papers published in the unit, the unit is to publish in a paper published in the county that circulates through the unit. Typically a Notice of Adoption is to be published one time in the correct number of newspapers within 30 days of the date of adoption. Again, these are general principles and auditors are encouraged to contact the Department if they have questions about a specific remonstrance.

4. One presenter spoke about the different types of taxation and during the presentation mentioned a levy freeze and then a thawing. What would cause a levy freeze?

The concepts of freezing and thawing levies pertains to local option income taxes ("LOIT"). Normally, each year units may increase levies by the Assessed Value Growth Quotient ("AVGQ"). However, units may instead impose a LOIT and trade AVGQ growth for an increase in LOIT funds. The initial adoption provides for the rate for the first two years. In the first adoption year, the rate is doubled to create a stabilization fund. After that, the rate may not be reduced or rescinded, but the rate may be increased each year to replace the property tax levy growth that would occur.